Special audit for financial irregularis

5982. SHRI V. RAJ AN CHHL-LAPPA: Will the Minister ot FINANCE be pleased to state:

(a) whether Industrial Development Bank of India (1DB1) has investment in equity in private sector units;

(b) whether it is a fact that IDBI frequently demands Special Audits into various financial irregularities committed by management of such assisted companies;

(c) what axe the minimum condi tions required to appoint such spe cial-audits into the financial bung-lings of private sector units; and

(d) the names of companies in respect of which IDBI has been responsible for appointment of special audit teams to verify financial irregularities?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. .V. CHANDRASHEKARA MURTHY) (a) Yes, Sir.

(b) The Industrial Development Bank of India (IDBI) has reported that Special audits' are normally in sisted upon at the directives of the Board for Industrial and Financial Reconstruction (BIFR) in respect of sick units if in he opinion of BIFR/ financial institutions (FIs) such audits are warranted during the course of formulating rehabilitation packages.

(c) IDBI has reported that there are no special terms or conditions for the purpose of insisting special audit. BIFR/FIs while drawing rehabilita tion package in case of a sick indus trial unit may however insist upon special audit of the unit if some irregularities are found. Special Audits are. not insisted upon in all cases.

(d) BIFR had ordered special audit in respect of four sick industrial companies. However, in accordance with the practices and usages customary amongst banks and in conformity with provisions of statutes governing public sector banks and financial institutions as also the Provisions of Public Financial Institutions (Obligation as to Fidelity and Secrecy) Act, 1983, the names of the companies cannot be divulged.

Nominees representing IFCI

5983. SHRI V. RAJAN CHELLAPPA: Will the Minister of FINANCE be pleased to state-.

(a) whether there is a need to upgrade the nominees representing IFCI in various large boards, like the ITC Ltd.;

(b) whether Government periodically review the guidelines; and

(c) how Government protect itself and the public funds from lax monitoring by financial institutions?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.V. CHANDRASHEKARA MURTHY): (a) No, Sir, Industrial Finance Corporation of India Limited (IFCI) has reported that in the case of large size assisted companies, IFCI gene-rally appoints its nominee directors from the rank of its principal officers.

(b) Financial Institutions (FIs) have evolved guidelines in respect of nominee directors appointed by them on the Boards ot assisted companies. Industrial Development Bank of India (IDBI) has reported that exenence of the FIs with regard to nominee directors has generally been satis factory.

(c) It is not the Government but FIs who have equity shareholding in assisted companies. FIs have their own policies for safeguarding their interest in companies assisted by them. J